



Universal Service Contribution Methodology

Verizon

- ◆ There is no need to rush to a different method of assessment.
 - There is no revenue “Death Spiral” that requires near-term replacement of the existing contribution mechanism.
 - The FCC’s own Staff Study demonstrates that the universal service revenue base will remain relatively steady over the next five years.
- ◆ The Commission adopted changes effective April 1, 2003 designed to improve the revenue-based system. The Commission should wait until it gains experience with the modifications recently adopted before rushing to another system.
- ◆ Verizon agrees with the State Members that revenues continue to remain a reliable method for assessing universal service contributions.
 - However, it is premature for the Commission to consider making major changes to the current system, whether it is to a per-connection, per-telephone number, or (as the State Members suggest) a revenue-based approach that assesses intrastate revenues.
- ◆ The Commission should defer any decision on the contribution methodology until it resolves other pending rulemakings that could significantly affect the size of the revenue base and the universal service fund size.
 - For example, Broadband, IP Telephony, and ETC Portability proceedings.
- ◆ Regardless of the method of assessment, the Commission must work to check the growth of the universal service fund. As Chairman Powell properly stated, “the cost of [universal service] programs is ultimately borne by American consumers...”
- ◆ Any statutory reform of universal service should address not just the assessment base, but should include a comprehensive review of the universal service program.